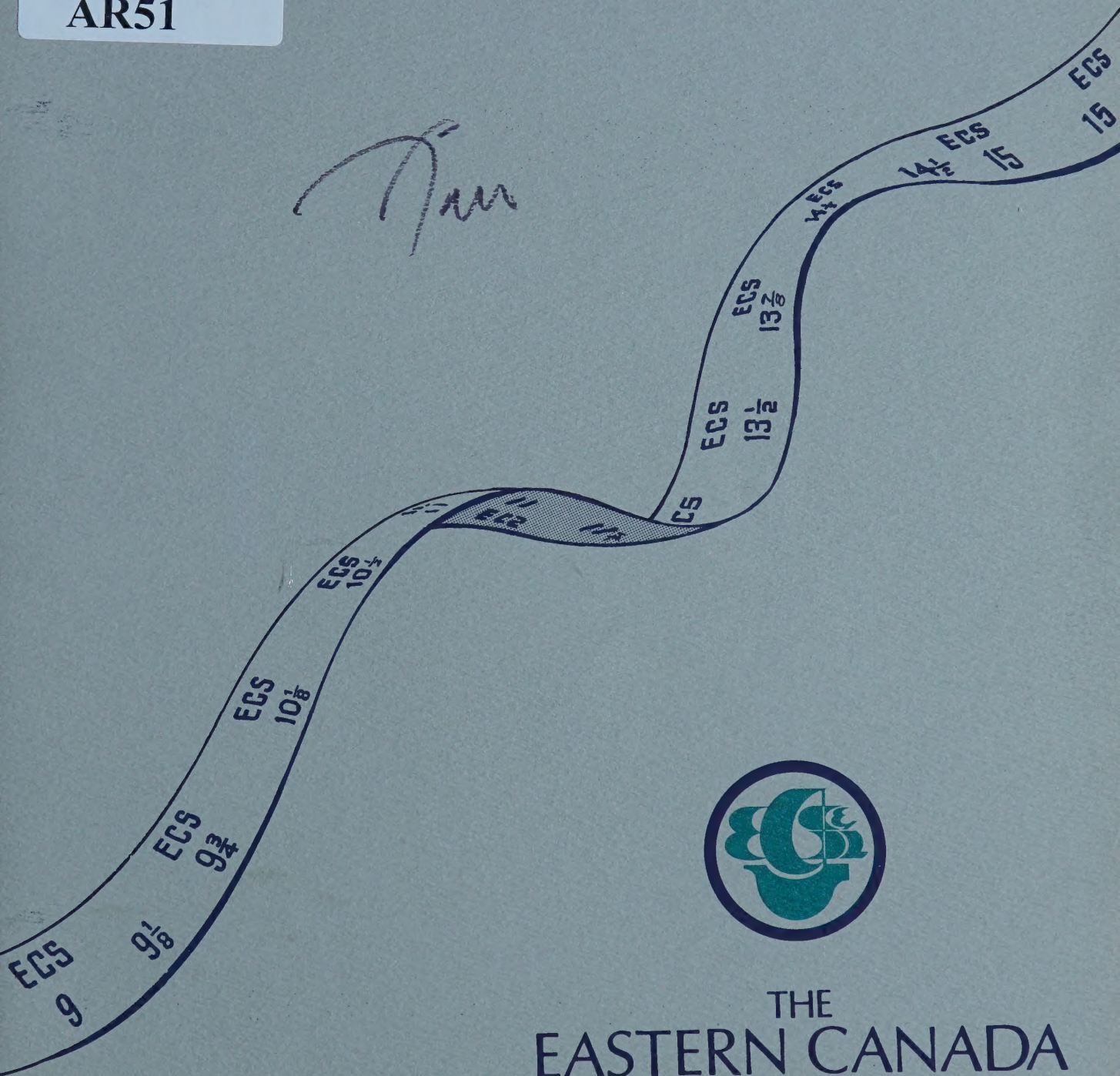


84th Annual Report

AR51

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THE
EASTERN CANADA
SAVINGS AND LOAN COMPANY

1971

HIGHLIGHTS OF 1971

	1971	1970
Assets	\$207,580,000	<i>\$172,597,000</i>
Mortgages	190,647,000	<i>156,557,000</i>
Debentures and Deposits	194,048,000	<i>160,654,000</i>
Operating Profit	2,990,000	<i>2,159,000</i>
Income Taxes	1,442,000	<i>1,087,000</i>
Net Profit	1,548,000	<i>1,072,000</i>
Per Share (cents)	77.4	<i>53.6</i>
Dividends	690,000	<i>600,000</i>
Per Share (cents)	34.5	<i>30.0</i>

REPORT OF THE DIRECTORS

December 31, 1971

TO THE SHAREHOLDERS:

Submitted herewith is the 84th Annual Report of the Company including the financial statements and auditors' report for the year ended December 31, 1971.

Your directors are pleased to report that your company enjoyed an exceptionally good year with unprecedented growth in all aspects of the business, and the financial results have been most satisfactory.

EARNINGS

The comparative statement of Profit and Loss shows a profit before tax of \$2,990,000 after deduction of interest on borrowed money, expenses of management and provision for contingencies. This is an increase of \$831,000 over 1970, or 38.5%. This operating profit resulted from a gross income of \$17,707,000 which represents an increase of 26.0% over 1970.

After providing \$1,442,000 for income tax, an increase of \$355,000, the net profit available for distribution amounted to \$1,548,000, or 77.4¢ per share as compared to 53.6¢ per share in 1970, an increase of \$476,000 or 44.4%.

DIVIDENDS

The regular dividend paid on April 1, 1971 was increased to 7.5¢. This amount was also paid on July 1, 1971. The October 1, 1971 dividend was increased to 8.5¢ and the fourth and final dividend for 1971, paid on January 1, 1972 was increased to 11¢. This made a total distribution of 1971 earnings of 34.5¢ per share as compared to 30¢ in 1970. This totalled \$690,000 or an increase of 15% over the previous year.

As stated by your President in last year's report, the policy has been to reduce the amount of year end extra dividend and correspondingly increase the regular quarterly dividends. This provides a more regular return to the shareholders, and with this in mind no year end extra was paid for 1971.

It is interesting to note that the dividend paid on January 1, 1972 was the 300th consecutive dividend of your company.

ASSETS

In the report to the shareholders for the year ended December 31, 1965 your President stated "It is noteworthy that after 78 years in business your company's assets have now passed the \$100,000,000 mark."

Just six years later the assets of your company have passed the \$200,000,000 mark and stand at \$207,580,000 as of December 31, 1971. During the year 1971 the increase amounted to \$34,983,000 over 1970 or 20.3%. This is the largest annual growth in the history of the company and a figure of which we are justifiably proud.

In the reports of 1969 and 1970 reference has been made to an item on the Balance Sheet explaining that Other Assets included \$60,000 representing income tax paid in a disputed assessment. The assessment was appealed to the Regional Appeal Office of the Department of National Revenue and decision was reserved pending the outcome of a similar case before the Federal Court. A decision favourable to the appellant in that case has been rendered. Therefore, our company is anticipating a decision favourable to our case. However, to date the company has received no official advice to this effect and the item must stand for 1971.

MORTGAGES

The mortgage portfolio in 1971 grew by approximately \$34,000,000 or 21.8% to a total of \$190,647,000 as compared to \$156,557,000 for 1970.

This increase exceeds that of any previous year, and was accomplished despite high mortgage rates during the first half of the year and falling rates during the last six months. The drop in rates was rapid and the prime rate is now at its lowest point in three years.

DEBENTURES AND DEPOSITS

The sale of debentures and the acceptance of deposits reached an all time high in 1971, representing an increase of \$33,394,000 over 1970.

Total Debentures	\$164,685,000	an increase of 20.5%
Total Savings Deposits	\$ 29,363,000	an increase of 22.7%

Debenture rates fell sharply during the last six months of 1971 and now stand at the lowest point in four years.

INVESTMENTS

Bond values have increased substantially due to generally declining interest rates.

The company has added substantially to its portfolio of Dominion of Canada Bonds and has maintained its liquidity reserve requirements in accordance with regulations of the Federal Department of Insurance which now require a higher ratio of Government of Canada Bonds than heretofore. Certain industrial and municipal bonds have been sold and the proceeds reinvested in Dominion of Canada obligations.

The net increase in the bond portfolio is \$1,369,000 and the policy of the company is to gradually replace municipal and industrial issues with Dominion of Canada bonds acceptable for the liquidity reserve, in accordance with the requirements of the Loan Companies Act as amended in 1970. The bond portfolio stands at \$9,107,000, an increase of 17.7% over 1970.

The stock portfolio consisting of a carefully selected group of bank, public utility and high grade industrials remains unchanged as to composition. There has, however, been a considerable increase in market value which offsets the deficiency in the market value of the bond portfolio.

DIRECTORS

During the year, Mr. Charles E. MacCulloch resigned from your Board of Directors due to his appointment to the Board of Directors of the Bank of Nova Scotia. This is in accordance with the requirements of the Bank Act which prohibits directors of banks from serving on the Boards of Trust and Loan Companies.

Mr. Frank A. Milne resigned as a director following his retirement as General Manager of the company.

Mr. W. John MacInnes, Q.C. was appointed to the Board of Directors. Mr. MacInnes is senior partner of the firm of MacInnes, Wilson and Hallett which has been the company's solicitors for many years. He is a director of a number of Canadian companies and his broad knowledge of the company's affairs, his good judgement and sound business experience are of great value to your Board.

STAFF

1971 saw a number of major changes in the executive positions in your company.

On July 1, 1971 your Directors elected Mr. Harold P. Connor Chairman of the Board of Directors. Mr. Connor served as President for over 10 years during a period of tremendous growth and expansion. As Chairman of the Board he maintains an active role in management affairs, and his judgement and experience continue to be available to the benefit of the Shareholders.

Mr. Donald M. Smith was elected President and Chief Executive Officer and Mr. Gordon D. Stanfield was elected Vice President. These gentlemen have been members of your Board of Directors since 1960 and 1963 respectively, and now bring to the management valuable executive skills and experience.

On August 31, 1971 Mr. Frank A. Milne, General Manager since 1954 and a Director since 1964, retired in conformity with company pension arrangements. He served the company with great distinction for approximately 45 years and during his time as General Manager the company enjoyed great growth and success.

On September 1, 1971 Mr. Douglas H. Cochrane, C. Econ., A.A.C.I., S.R.A., was appointed General Manager. Mr. Cochrane was Assistant General Manager for the past eight years during the period the company enjoyed its greatest growth. The Board of Directors has the utmost confidence in his ability to manage the affairs of your company.

On January 1, 1971 another progressive step was taken in your company's organization structure by the appointment of Regional Managers to superintend the operations of the company in the branches in their designated areas.

Your company has enjoyed great growth and prosperity and its most important asset is the fine staff of men and women who are so vital to its successful operation. On behalf of the Board of Directors and the Shareholders, it is my pleasure to express to all the employees of your company my thanks for the efficient and able performance of their duties, which has resulted in the company's most successful year.

BRANCHES

Plans to relocate the Churchill Park Branch, St. John's, Newfoundland in a new building to be known as The Eastern Canada Building have progressed to the point where the change will be made in February 1972. These new premises at the corner of Bonaventure and Empire Avenues in St. John's will provide enlarged premises in a very fine location to enable the staff to deal with the growing business generated by this branch.

Plans are well developed to open a new branch in Corner Brook, Newfoundland in a building also to be called The Eastern Canada Building. The need for this new branch indicates the increased business enjoyed by your company in Western Newfoundland and your company's faith in the potential growth of the area. This branch will open in March 1972.

Beginning in June, your company entered the field of Consumer Loans, specifically by offering our services in the financing of mobile homes. We were aware of the increased demand for financing this type of home and, as legislation has recently been

enacted to permit us to loan in this manner, we took the opportunity to expand our lending services and develop a new source of revenue. We are pleased how well our plan has been accepted, and are looking forward to continued growth in 1972.

To date, consumer loans have been confined to the Halifax-Dartmouth Metropolitan Area, but it is the intention, in the future, to expand it gradually to other areas, and, also to finance other consumer goods.

A number of our branches during 1971 have had attractive outdoor signs erected, utilizing the company's logo, to identify and give prominence to our operations in these locations.

SHAREHOLDERS

As of December 31, 1971, of the 2200 shareholders 2023 are residents of the Atlantic Provinces, 140 reside in other parts of Canada and 37 reside outside the country.

An important step forward was taken in 1971 with the decision to list the shares of the company on the Montreal and Toronto Stock Exchanges. The main purpose of the listing was to broaden the base of equity ownership and to improve marketability of the stock. On October 1, 1971 the shares of the company were traded for the first time on these two stock exchanges. Trading has been active and the value of the shares has risen appreciably demonstrating the confidence of the investor in your company.

The Canada Permanent Trust Company in Halifax, Montreal and Toronto is the Transfer Agent and Registrar for your company.

ISSUE OF NEW SHARES

The need for capital to finance, due to growth, makes it necessary to issue more shares in your company. The authorized capital is 3,000,000 shares of which 2,000,000 are issued at December 31, 1971.

Your directors have announced the issue of an additional 250,000 shares with the present shareholders being given the right to purchase 1 new share for \$9.00 for each 8 shares held on the date of record.

Warrants representing the rights to purchase shares will be mailed to all shareholders. We recommend that all shareholders subscribe for the shares to which they are entitled. Any enquiry can be made of your bank, investment dealer or The Eastern Canada Savings and Loan Company branch in your area.

These rights are negotiable and will be traded until the offer expires when the rights lose all value. Act in accordance with the instructions which you will receive with your certificates.

The money derived from the sale of these shares will be used for the continued growth of the company and the ultimate benefit of the shareholders.

OUTLOOK

While the year 1972 presents its complexities in the form of uncertain tax legislation, government intervention in business, prospective foreign ownership policy, and international monetary policy, nevertheless the outlook for your company in 1972 is optimistic. Economic forecasts are somewhat conflicting.

Housing starts are levelling off so that the extraordinary growth in residential construction of last year could be restricted to a 10% gain in 1972 over 1971—but 1971 was an exceptional year.

Unemployment is forecast to be relatively high, about 5.4%, but below 1971 which was 6.7%.

Business conditions are generally favourable. The economy is moving ahead and the prospects for growth and employment are better than in 1971. It is forecast that the Gross National Product will rise by 10.3% to \$102 billions in 1972.

Personal expenditure is forecast to rise by 10%.

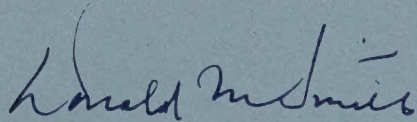
Government spending is forecast to increase by 14%.

Inventory accumulation is forecast to be strong.

It is expected that interest rates will remain at present levels for the better part of 1972 and this should encourage the prospective borrower to proceed with plans delayed by the high rates of last year.

With the foregoing in mind we are optimistic for 1972. We are expecting another successful year for the Eastern Canada Savings and Loan Company.

On behalf of the Board,

A handwritten signature in dark ink, appearing to read "Donald M. Smith". The signature is fluid and cursive, with a large initial "D" and "S".

DONALD M. SMITH,
President

AUDITORS' REPORT

TO THE SHAREHOLDERS

We have examined the balance sheet of The Eastern Canada Savings and Loan Company as of December 31, 1971 and the statements of income, general reserve and retained earnings for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company at December 31, 1971 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants

Halifax, N.S.
January 18, 1972

**84th Annual General Meeting
2.30 P.M. Lord Nelson Hotel
Halifax, N.S. 23rd March 1972**

STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 1971

with comparative figures for 1970

	1971	1970
Income :		
Interest from loans and advances	\$16,753,000	\$13,215,000
Interest and dividends from investment securities . .	865,000	768,000
Other operating income	89,000	66,000
	17,707,000	14,049,000
Expense :		
Interest on deposits and borrowings	13,091,000	10,487,000
Salaries and staff benefits	712,000	610,000
Premises expense	66,000	67,000
Depreciation	117,000	103,000
Provision for diminution in value of bond portfolio	—	50,000
Other operating expenses	731,000	573,000
	14,717,000	11,890,000
Income before taxes	2,990,000	2,159,000
Income taxes, estimated	1,442,000	1,087,000
Net income for the year	1,548,000	1,072,000
Earnings per share :		
Net income per share	77.4¢	53.6¢

See accompanying notes to the financial statements.

BALANCE SHEET D

WITH COMPARATIV

ASSETS

	1971	1970
Cash	\$ 628,000	\$ 1,420,000
Accrued interest on investments	144,000	135,000
Investment securities :		
Short term corporation notes, at cost	4,300,000	4,100,000
Bonds, at amortized value	9,107,000	7,738,000
Stocks, at cost	1,557,000	1,559,000
	14,964,000	13,397,000
Allowance for diminution in value of bonds	350,000	350,000
Net investment securities	14,614,000	13,047,000
Approximate market value December 31		
1971—\$15,048,000		
1970—\$12,617,000		
Mortgages, agreements and accrued interest	190,647,000	156,557,000
Premises, office equipment and furnishings, at cost	2,130,000	2,036,000
Accumulated depreciation	839,000	722,000
	1,291,000	1,314,000
Leasehold improvements, at cost less amounts written off	10,000	5,000
Other assets (Note 1)	246,000	119,000
	\$207,580,000	\$172,597,000

- Other assets includes \$60,000., which represents income tax paid on profits resulting from the sale of certain stocks during the years 1967 and 1968. This tax was paid in accordance with assessments made by the Department of National Revenue. The company does not agree with the position taken by the Department of National Revenue, and has taken the necessary legal steps in an attempt to have the assessments revised.
- In addition to the deferred income taxes recorded on the books of the company, in the amount of \$580,000., income taxes were reduced in prior years by an aggregate amount of \$1,059,000. as a result of claiming a mortgage reserve and other deductions for income taxes in excess of amounts charged in the company's accounts. No provision is being made in the company's accounts at this time for this latter amount.
- Subsequent event—
On January 12, 1972, the Directors approved an offer to the shareholders to subscribe for 250,000 of the 1,000,000 shares presently authorized but not yet issued. The offer is on the basis of one new share for each eight shares now owned, at a price of \$9.00 per share.

CEMBER 31, 1971

FIGURES FOR 1970

LIABILITIES

	1971	1970
Deposits and borrowings:		
Deposits	\$ 29,363,000	\$ 23,940,000
Debentures and accrued interest	164,685,000	136,714,000
Mortgagors' deposits for taxes	2,166,000	1,847,000
	<u>196,214,000</u>	<u>162,501,000</u>
Other liabilities:		
Income taxes payable, estimated	377,000	190,000
Dividend payable	220,000	180,000
Miscellaneous liabilities	345,000	160,000
	<u>942,000</u>	<u>530,000</u>
Deferred income taxes (Note 2)	580,000	580,000
Shareholders' equity:		
Capital stock:		
Authorized—3,000,000 shares par value \$1. per share		
Issued and fully paid—2,000,000 shares	2,000,000	2,000,000
General reserve	6,000,000	6,000,000
Retained earnings	1,844,000	986,000
	<u>9,844,000</u>	<u>8,986,000</u>
	<u>\$207,580,000</u>	<u>\$172,597,000</u>

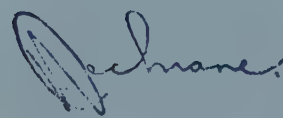
On behalf of the Board:



Donald M. Smith
President



Gordon D. Stanfield
Vice-President



Douglas H. Cochrane
General Manager

GROWTH OF YOUR COMPANY

FISCAL YEAR	ASSETS	MORTGAGES	DEBENTURES AND DEPOSITS	CAPITAL RESERVES AND SURPLUS	NET PROFIT	EARNINGS PAID	
						PER SHARE	PER SHARE
1898	529,000	392,000	300,000	129,000	11,000	11.2	6.0
1908	1,015,000	720,000	425,000	340,000	23,000	9.0	7.0
1918	2,104,000	1,624,000	1,130,000	599,000	44,000	11.7	8.0
1928	3,337,000	3,171,000	2,196,000	1,135,000	87,000	11.6	8.0
1938	4,574,000	4,079,000	3,406,000	1,161,000	65,000	8.7	7.0
1948	12,158,000	11,519,000	10,247,000	1,812,000	139,000	13.8	7.0
1958	38,228,000	33,024,000	34,432,000	3,603,000	353,000	23.5	11.0
1962	66,994,000	58,407,000	60,878,000	5,342,000	468,000	26.7	16.5
1963	75,065,000	68,012,000	68,333,000	5,753,000	508,000	29.0	18.5
1964	90,353,000	81,186,000	82,614,000	6,615,000	602,000	30.1	22.5
1965	105,505,000	97,227,000	97,365,000	7,026,000	628,000	31.4	23.0
1966	114,446,000	105,461,000	105,563,000	7,517,000	728,000	36.4	25.0
1967	121,691,000	111,736,000	111,513,000	7,884,000	821,000	41.0	27.0
1968	131,591,000	119,696,000	121,047,000	8,179,000	810,000	40.5	27.0
1969	145,156,000	133,601,000	134,008,000	8,514,000	908,000	45.4	29.0
1970	172,597,000	156,557,000	160,654,000	8,986,000	1,072,000	53.6	30.0
1971	207,580,000	190,647,000	194,048,000	9,844,000	1,548,000	77.4	34.5

STATEMENTS

OF GENERAL RESERVE AND RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1971

with comparative figures for 1970

General Reserve

	1971	1970
Balance, at beginning of year	\$ 6,000,000	\$ 4,500,000
Transfer from retained earnings	—	1,500,000
Balance, at end of year	\$ 6,000,000	\$ 6,000,000

Retained Earnings

Balance, at beginning of year	\$ 986,000	\$ 2,014,000
Net income for the year	1,548,000	1,072,000
	2,534,000	3,086,000
Less :		
Dividends	690,000	600,000
Transferred to general reserve	—	1,500,000
	690,000	2,100,000
Balance, at end of year	\$ 1,844,000	\$ 986,000

See accompanying notes to the financial statements.



BRANCHES: Head Office: 1819 Granville Street, Halifax, N.S.

1819 Granville Street, Halifax, N.S.

270 Dutch Village Road, (Fairview) Halifax, N.S.

140 Portland Street, Dartmouth, N.S.

373 Main Street, Kentville, N.S.

170 Water Street, St. John's, Newfoundland

95 Bonaventure Avenue, St. John's, Newfoundland

85 Queen Street, Charlottetown, P.E.I.

1199 Main Street, Moncton, N.B.

212 Queen Street, Fredericton, N.B.

Bathurst Shopping Mall, Bathurst, N.B.

19-21 West Street, Corner Brook, Newfoundland

AGENTS

L. A. Andrea, Port Hawkesbury, N.S.
J. Reigh Barnes, Windsor, N.S.
Curtis Chipman, Wolfville, N.S.
W. E. Cosman & Son, Digby, N.S.
Reginald F. Davis, Grand Falls, Newfoundland
Doucet, Davidson and Kelly, Port Hawkesbury, N.S.
C. Hanson Dowell, Middleton, N.S.
Fulton's Insurance Agencies Limited, Truro, N.S.
James M. Harding, Q.C., Shelburne, N.S.
Harding Real Estate, Bridgewater, N.S.
Paul P. D. Hatty, Saint John, N.B.
W. G. Haughn Insurance Agency Ltd., Lunenburg, N.S.
Hicks, LeMoine & Hugg, Amherst, N.S.
Holloway Insurance Ltd., Liverpool, N.S.
Harold Huskilson, Shelburne, N.S.
Lee J. Johnston, Wolfville, N.S.
C. N. Kaulback, Bear River, N.S.
R. A. Laurence, Q.C., Annapolis Royal, N.S.
A. D. McInnis, Q.C., Antigonish, N.S.
MacIntosh, MacDonnell and MacDonald, New Glasgow, N.S.
Mrs. Jean C. MacPherson, Q.C., Antigonish, N.S.
Mrs. Isabel MacRae, Commercial Agencies Limited, Glace Bay, N.S.
A. G. Macdonald, Q.C., Windsor, N.S.
Nauss Brothers Limited, Bridgewater, N.S.
J. D. Orlando, Q.C., Bridgetown, N.S.
Brian G. Phelan, Banner Real Estate & Insurance, Middleton, N.S.
Irving C. Pink, Q.C., Yarmouth, N.S.
Edward Robertson, New Glasgow, N.S.
T. C. Sedgwick, Q.C., Pictou, N.S.
Sullivan, Smith, Campbell and Boudreau, Sydney, N.S.
Thornes Limited, Corner Brook, Newfoundland
Gordon Tidman, Kingston, N.S.

COMPANY'S SOLICITORS

MacInnes, Wilson and Hallett

STOCK EXCHANGES

Montreal and Toronto

COMPANY'S BANKERS

Bank of Nova Scotia
Royal Bank of Canada

TRANSFER AGENT & REGISTRAR

Canada Permanent Trust
Halifax, Montreal & Toronto

AUDITORS OF THE COMPANY

Peat, Marwick, Mitchell & Co.

THE EASTERN CANADA SAVINGS AND LOAN COMPANY

BOARD OF DIRECTORS

A. Gordon Archibald
H. Reuben Cohen, Q.C.
Harold P. Connor
W. John MacInnes, Q.C.
Carlisle Norwood
Donald M. Smith
Gordon D. Stanfield

EXECUTIVE OFFICERS

Harold P. Connor	<i>Chairman of the Board</i>
Donald M. Smith	<i>President</i>
Gordon D. Stanfield	<i>Vice-President</i>
Douglas H. Cochrane	<i>General Manager</i>

REGIONAL MANAGERS

Claude E. Dawe
Newfoundland

Ralph W. Dickey
New Brunswick and Prince Edward Island

Harold Kempster
Nova Scotia

HEAD OFFICE DEPARTMENT MANAGERS

Grant I. Warwick	<i>Chief Accountant and Secretary</i>
Michael E. Doyle	<i>Systems Analyst</i>
W. Phillip Jones	<i>Mortgage Manager</i>
Ronald E. Briggs	<i>Debenture and Computer Manager</i>
G. Elizabeth Macdonald	<i>Advertising Manager</i>
Stuart Wornell	<i>Consumer Loans Manager</i>
Ena F. Hills	<i>Executive Secretary</i>

BRANCH OFFICE MANAGERS

Robert B. Croft	Bathurst Shopping Mall, Bathurst, N.B.
Velma F. Andrew	85 Queen Street, Charlottetown, P.E.I.
Arthur Dawe	19-21 West Street, Corner Brook, Newfoundland
Edward Tomes	140 Portland Street, Dartmouth, N.S.
Grant A. Maxwell	270 Dutch Village Road, (Fairview) Halifax, N.S.
Wayne V. Dauphinee	212 Queen Street, Fredericton, N.B.
Gerald N. Slaunwhite	1819 Granville Street, Halifax, N.S.
Ralph J. Sanford	373 Main Street, Kentville, N.S.
Ralph W. Dickey	1199 Main Street, Moncton, N.B.
Claude E. Dawe	170 Water Street, St. John's, Newfoundland
Robert S. Haines	95 Bonaventure Avenue, St. John's, Newfoundland

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